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August 24, 1998

Jose M. Rodriguez, Esquire
Office of General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4250

Dear Mr. Rodriguez:

Enclosed please find non-privileged documents responsive to the FEC's subpoena to Haley Barbour in the above-referenced matter. As I previously informed you, we assume that you have sought and obtained documents of the National Policy Forum and Republican National Committee from those organizations and we have not conducted a search of their records.

In addition to seeking documents, the subpoena included interrogatories seeking a description of "all non-written communications" relating to RNC loans to the NPF and the Signet Bank loan to the NPF. We do not believe that the interrogatories as framed are capable of being responded to in any reasonable way, given that they would require descriptions of potentially hundreds of conversations over a period of several years. We, therefore, object to the interrogatories as unduly burdensome and overbroad. We believe Mr. Barbour's deposition and public testimony before the Senate Committee on Governmental Affairs covered virtually all, if not all, significant, non-privileged communications that would be responsive to the interrogatories. I assume you have a copy of those materials, but if you do not, please let me know and I can endeavor to obtain a copy for you.

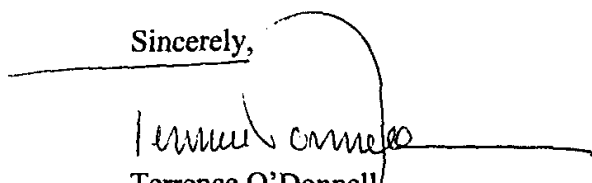
August 24, 1998

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You will note that amongst the documents being produced are copies of the cover pages of two issues of *Common Sense*. Mr. Barbour's copies of those issues are leather bound editions. We assume you have a copy of the two issues but, again, if you do not and would like copies, we believe that we can procure copies for you.

If you have any questions, please let me know.

Sincerely,



Terrence O'Donnell

Enclosure

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June 30, 1997

Michael Madigan, Esquire
Chief Counsel
United States Senate
Committee on Governmental Affairs
340 Dirksen Senate Office Building
Washington, D.C. 20510

re: The National Policy Forum

Dear Mr. Madigan:

I write on behalf of the National Policy Forum (the "Forum") in response to the Committee's subpoena duces tecum. As the Forum has previously informed the Committee, the Forum ceased operations at the end of 1996. At the time the Committee's subpoena duces tecum dated April 9, 1997 was served on April 25, 1997, the Forum had virtually no funds and had no employees; its records were located in a storage facility. To enable the Forum to respond to the subpoena, the Forum retained my firm as counsel and dedicated the vast majority of the funds on hand at the time that the subpoena was served to hiring a document custodian. The document custodian has been asked to conduct a careful review of every document in the Forum's files and to cull from those files documents that are responsive to the Committee's subpoena. That task is now complete.

The Forum has interpreted the Committee's subpoena broadly to extend to the outer limits of, but not beyond, the Committee's investigatory jurisdiction. Pursuant to S. Res. 39, the Senate, after considerable debate, authorized the Committee to expend funds "for the sole purpose of conducting an investigation of illegal or improper activities in connection with 1996 Federal election campaigns."

The Committee's jurisdiction extends "sole[ly]" to issues in connection with the 1996 Federal election campaigns, but the Forum had nothing to do with the 1996 Federal election campaigns, or any other election campaigns. Thus, the Forum has no documents

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that relate to "illegal or improper activities in connection with 1996 Federal election campaigns."

Not only did the Forum have nothing to do with the 1996 Federal election campaigns, it has never engaged in electioneering of any sort. It has never advocated the election or defeat of any candidate for any office at any level, state or federal, at any time. It has never run political or issue advocacy advertising. It has never made a political contribution or operated a political action committee. And it has not engaged in voter registration or get out the vote efforts.

Since the Forum had nothing to do with the 1996 Federal election campaigns, the Committee plainly lacks jurisdiction to investigate the Forum's activities. As the Joint Committee on Congressional Operations has observed, "[s]ubpoenas issued by congressional committees must not exceed the scope of authority delegated to the Committee." Committee Print, *Leading Cases on Congressional Investigatory Authority*, 94th Congress, 2d Session, at 17. The Committee's subpoena cannot change the limits of the Committee's jurisdiction. As the Supreme Court of the United States has declared, the limits of a Committee's investigatory jurisdiction "are embodied in the authorizing resolution. That document is the committee's charter." *Watkins v. United States*, 354 U.S. 178, 200 (1957). The Committee has "no general authority to expose the private affairs of individuals," and the Committee has no power to investigate "solely for the personal aggrandizement of the investigators or to 'punish' those investigated" *Id.* at 187.

Where an investigatory committee exceeds its jurisdiction, a witness has no duty to respond to the committee's questions, *Russell v. United States*, 369 U.S. 749, 768 (1962); *Deutch v. United States*, 367 U.S. 456, 469-70 (1961); *Sacher v. United States*, 356 U.S. 576, 577 (1958); *Watkins*, 354 U.S. at 214-15; *United States v. Cuesta*, 208 F. Supp. 401, 406 (D.P.R. 1962); *United States v. Icardi*, 140 F. Supp. 383, 387 (D.D.C. 1956), and the subpoenaed party need not produce documents, *United States v. McSurely*, 473 F.2d 1178, 1203 (D.C. Cir. 1972); *United States v. Patterson*, 206 F.2d 433, 434 (D.C. Cir. 1953). The Forum's voluntary production of documents today, like its previous provision of a courtesy copy of publicly-released documents on June 6, 1997, cannot expand these limits on the Committee's investigative authority.

Notwithstanding these settled legal principles, some members of this Committee have engaged in a transparent attempt to divert attention from the substantial issues which led to the Committee's investigation and which should be the exclusive focus of the investigation. These partisans have leveled charges that the Forum was not a bona fide organization, but was merely a front to funnel illegal campaign contributions to the Republican National Committee (the "RNC"). These charges are flatly false.

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Nevertheless, in the same spirit of cooperation that motivated the Forum to provide voluntarily to the Committee documents regarding the Signet Bank loan transaction on June 6, 1997, the Forum is today voluntarily providing 30 boxes of additional materials. These materials — like the loan materials — are not responsive to the Committee's subpoena. They have nothing to do with the 1996 Federal election campaigns and the Forum has no obligation to produce them. The Forum, however, has decided voluntarily to provide the Committee with materials that will give the Committee a better understanding of the Forum's purposes and activities.

The Forum was intended to be the counterpart to the Democratic Leadership Council (the "DLC"), which operates as a non-profit, 501(c)(4) corporation. While the DLC states that it is dedicated to establishing a "new Democratic majority," and has taken credit for successful results in election campaigns, the Forum has, as noted, never engaged in electioneering. Like the DLC, however, the Forum is governed by rules which are different from those that govern political parties. As the Chairman of the DLC, who sits on the Committee, can explain to the Committee, there are different rules for organizations like the Forum and the DLC than for political parties. Thus, the DLC was free to accept and, according to news reports, did accept contributions from the Embassy of the government of India, and from foreign corporations or their domestic subsidiaries, much like Young Brothers Development (USA), which guaranteed the loan from Signet Bank to the Forum. Indeed, the Forum, the DLC, and groups such as the Brookings Institution, the American Enterprise Institute, and the Center for Responsive Politics legally may accept contributions from virtually any source without limitations.

So that the Committee can verify that the Forum is an independent, non-profit corporation, the Forum is today voluntarily providing the Committee with copies of its articles of incorporation as a non-profit corporation under the laws of the District of Columbia, its by-laws, its audited financial statements through 1995, federal tax returns (Form 990s) through 1995, and minutes of its Board meetings. The audited financial statements and the tax return for 1996 have not as yet been prepared.

The Forum has never taken credit for electoral victories as the DLC has. Instead, the Forum was, as its name implies, intended to serve an important role in the national policy debate. It was a forum for the exchange of ideas about issues of national public policy. The Forum was founded based on the insight that in America the most worthwhile ideas about national policy emanate, not from political leaders, but from the grassroots where real people deal with real problems.

As part of its mission to promote grassroots public policy debate, the Forum conducted a series of more than eighty public policy forums and conferences across the

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nation, which united leaders from various levels of government and from the private sector with members of the public in an exploration of public policy issues. Those public policy forums were held in locations as diverse as Fort Mitchell, Kentucky; Midland, Texas; Billings, Montana; Grand Rapids, Michigan; Lafayette, Louisiana; Albuquerque, New Mexico; Pryor, Oklahoma; Salina, Kansas; Little Rock, Arkansas; and Crawfordsville, Indiana. The forums focused on issues like safe and prosperous neighborhoods, improving our nation's schools and education, national defense, and the environment.

Many of the forums were recorded either on videotape or audiotape, or were transcribed. To enable the Committee to see for itself the type of important, grassroots policy discussions that were promoted by these forums, the Forum is providing the Committee today with copies of all of the videotapes, audiotapes and transcripts of forums that were maintained in the Forum's files. These videotapes, audiotapes, and transcripts contain many, many hours of public policy discussion and no electioneering or campaign activity. The Forum sincerely hopes that the Committee will find time to view the videotapes, listen to the audiotapes, and read the transcripts. These materials demonstrate that the Forum had nothing to do with election campaigns, but was a forum for participatory public policy debate. The materials also provide important insights about issues of national policy that we believe would aid the Congress. As a result of lack of funds, the Forum is unable to provide copies of the videotapes and audiotapes to members of the press, but if they would like to view or listen to them, the Forum will make arrangements to allow them to do so. In addition, the Forum would encourage the Committee to make the videotapes available for broadcast on C-SPAN.

The forums memorialized on the videotapes, audiotapes and transcripts, as well as the other forums held across the nation, led to the publication of two books: *Listening to America* and *Agenda for America*. The first book reflected the public policy recommendations of the forums, and the second book set out a policy agenda to implement those recommendations. At the time of its publication, *Agenda for America* was provided to, among others, all Members of Congress, Democrats as well as Republicans. A copy of each book is being provided to the Committee herewith. In addition to *Listening to America* and *Agenda for America*, the Forum also published a quarterly public policy journal entitled *Common Sense*. A copy of every issue of *Common Sense* published by the Forum is also being provided to the Committee. As the Committee will see when the Committee reviews the copies of *Common Sense*, it included important public policy articles on a wide range of issues by noted experts and government leaders.

So that the Committee can also confirm that the Forum's activities were in conformity to its purpose, the Forum is also voluntarily providing the Committee today with copies of materials related to its forums, the Forum's guidelines for speakers at its forums,

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June 30, 1997
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as well as news releases, press clippings, and advertisements run by the Forum (to invite the public to attend the forums). You will note that there was no political advertising or issue advocacy advertising. The Forum never made any political contributions.

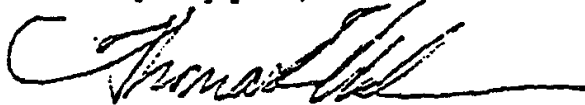
The charge has been made that the Forum was designed to funnel money to the RNC. This allegation is laughable when one reviews the facts. While money did flow between the RNC and the Forum, it flowed almost exclusively away from the RNC and in the direction of the Forum. Over the years, the RNC provided financial support to the Forum in the form of over four million dollars in loans. Two-and-a-half million dollars of that amount remains owing to the RNC today. In fact, there was never a time in the Forum's existence when it did not owe substantial sums to the RNC.

To put to rest the baseless charge that the Forum was a front for contributions to the RNC, the Forum is voluntarily providing the Committee today with the checks showing transfers of funds between the Forum and the RNC. With this information, the Committee can verify for itself that the relationship of the Forum to the RNC was one of debtor to creditor. In addition, the Forum is providing the Committee with the promissory notes that document the loans from the RNC to the Forum.

The materials voluntarily provided to the Committee today definitively refute the irresponsible allegations that the Forum was a sham organization designed to funnel contributions to the RNC. I wish to emphasize again that the Forum has not provided these materials in response to the Committee's subpoena or because it is obligated to do so. Instead, the Forum has done so in an attempt to promote a better understanding of the Forum's role and functions.

The Forum encourages the DLC to make its own voluntary production of similar materials to the Committee so that questions raised about the DLC's activities can also be put to rest.

Very truly yours,



Thomas E. Wilson
Counsel to the National Policy Forum

Enclosure

cc: Alan I. Baron, Esquire

HBF 0005

HALEY BARBOUR

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July 1, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



Yesterday evening, the National Policy Forum voluntarily delivered a large volume of materials to the Senate Committee investigating last year's campaign corruption scandals. Attached is a copy of the NPF counsel's letter given to Senator Thompson's Committee. The index accompanying the letter will be sent to you under separate cover.

As Board members, you know NPF had no role in the 1996 federal election campaigns, which are the subject matter of the Senate hearings. Not only did NPF have nothing to do with the 1996 federal election campaigns, it has never engaged in electioneering of any sort. It has never advocated the election or defeat of any candidate for any office at any level, state or federal, at any time. It has never run political or issue advocacy advertising. It has never made a political contribution or operated a political action committee. And it has not engaged in voter registration or get-out-the-vote efforts.

The Forum, therefore, has no obligation whatsoever to provide any documents to the Committee, as is set out in the attached from the letter of Tom Wilson, Counsel for NPF, to Michael Madigan, Counsel for the Senate Committee. Nevertheless, we voluntarily provided so much material to the Committee that the index is 20 pages long!

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Why? Although NPF had no records relevant to the Committee's investigation mandate, we wanted the Senate and the public to better understand what NPF did and did not do. We voluntarily gave them this material to debunk the myths being spun by the Democrats. The Democrats are so desperate to say the Republicans did something wrong, they'll ignore or embellish the facts if necessary. And the information NPF shared with the Committee yesterday further refutes the phony charges.

Among the material included are hours of videotapes and audiotapes of actual forums and conferences plus transcripts of others. We also gave them copies of all NPF publications. If the Committee has time to review all this, they will see NPF did no electioneering or any other kind of campaign activity.

We provided the Committee copies of our Articles of Incorporation as a D.C. non-profit corporation; NPF's by-laws; our audited financial statements through 1995; our federal tax returns through 1995 (the 1996 audit and tax return haven't yet been completed by our accounting firm); and minutes of NPF Board Meetings. We gave them other financial records relating to the Signet Bank loan, which was guaranteed by Young Brothers Development (USA), and to various loans for the RNC.

We provided comprehensive records on funds raised and spent via the audits, but adhered to the Board-adopted policy of not making public the names of individual donors.

The pile of documents is about 15 feet tall and includes some 30 boxes of materials. Since none of it is responsive to the Committee's mandate, it represents a huge voluntary public display of the Forum's work and findings. Frankly, I think you will be proud of what NPF produced in 3 1/2 years.

I THOUGHT YOU MIGHT
FIND THE ATTACHED
OF INTEREST

HALEY BARBOUR
PARTNER

HALEY BARBOUR

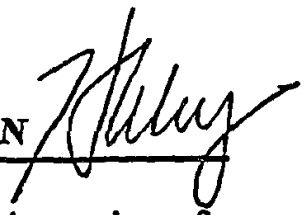
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0424-563-40-00

July 3, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM
BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



On Monday, the National Policy Forum completed its exhaustive review of its records and voluntarily provided the Senate Committee with 30 boxes of materials measuring 15 feet tall, despite the fact NPF had nothing to do with the Committee's area of investigation - 1996 federal election campaign activity.

The review process found that NPF received only one contribution from a foreign entity, the Pacific Cultural Foundation, a Taiwan non-profit foundation. This contribution was made in the summer of 1996 and was in the amount of \$25,000. This amounts to less than one percent of NPF's revenues.

More importantly, as a non-profit corporation operating under the rules governing section 501(c)(4) organizations, NPF was legally allowed to accept donations from foreign sources. This ability to receive foreign contributions is not affected if NPF's status as a 501(c)(4) organization is not ultimately recognized by the IRS.

Page 2

As you probably know, non-profit organizations such as the Brookings Institution receive significant funding from foreign sources. NPF is similarly eligible to receive such donations.

In addition to the one foreign contribution, there was a \$50,000 contribution in 1995 from a U.S. corporation that news reports say may have been a conduit for foreign funds to the Democratic National Committee. Although NPF records do not indicate that the source of the contribution was foreign, NPF is inquiring as to whether the U.S. corporation was the actual source of the money. We have also notified the proper federal authorities of the contribution.

(Remember, NPF may legally accept foreign contributions, if the U.S. corporation turns out not to be the actual source. Again, there is no evidence of that, but we feel we need to exercise extra diligence because of the news stories.)

In summary:

- (1) NPF has voluntarily given the Senate Committee a mountain of materials;
- (2) NPF could legally accept foreign contributions but received only one, for less than one percent of our contributions;
- (3) While there is no evidence a contribution from a U.S. corporation was from foreign sources, we are checking it out and I will keep you posted.

On the propaganda front, the Democrats continue to squeal about NPF to try to distract attention from their scandals. While the Democrats will continue to throw rocks at us, the records and facts demonstrate the Forum adhered to its charter, never participated in any election campaign activity (federal or otherwise) and carried out its work legally and properly.

HBF 0009

A Republican Journal of Fact and Opinion

Common Sense

From the National Policy Forum

MARVIN OLASKY

The Essence of American Compassion

Telecommunications Law Reform: Reinventing Competition



Also in this issue:

Truman and the Politics of 1996 ◆ PITNEY & CONNELLY

Breaking the Bank ◆ TER MAAT

Superfund: Getting It Right ◆ OXLEY

After Chechnya ◆ FREEDMAN

FDA and Trial Lawyers: A One-Two Punch ◆ POPEO & LAMMI

The United States and Greater China , Part II ◆ YOUNG

Common Sense

A Publication of the National Policy Forum

THE MISSION OF THE NATIONAL POLICY FORUM IN 1995

John R. Bolton

THE CONFERENCE OF THE STATES AN ACTION PLAN TO RESTORE BALANCE IN THE FEDERAL SYSTEM

Mike Leavitt

NATO AND U.S. INTERESTS

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William W. Matchneer III

THE UNITED STATES AND GREATER CHINA

Ambrous T. Young

HEALTH CARE: THE TIME BOMB IS TICKING

Grace-Marie Arnett for the Consensus Group

HBF 0011

HALEY BARBOUR

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June 6, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



This memorandum is to update you on developments concerning the National Policy Forum and the investigation of the 1996 campaign by Senator Thompson's Senate Committee.

NPF documents were retrieved from the warehouse, and the custodian of those documents is working through the boxes, categorizing, indexing and preparing the documents for response to the subpoena NPF received in late April. He has made a lot of progress, and I expect him and NPF's counsel to complete the task this month.

As you know, NPF was never involved in any activity related to the 1996 federal elections or any elections.

- NPF never conducted any activities of a campaign or electioneering nature at any time.
- NPF never ran any television, radio or print ads other than in local newspapers to invite the public to attend its public forums or conferences. It ran no issue advocacy ads, much less any ads related to elections.
- NPF never advocated the election or defeat of any candidate for any office at any level, federal or otherwise, in 1996 or at any other time.

HBF 0012

- NPF never made any contribution to any candidate, campaign or political party or organization.
- NPF never conducted or supported any voter registration or get-out-the-vote activities.

Nevertheless, NPF wants to be cooperative. I have already said publicly I will be glad to appear before the Committee. Today, NPF is voluntarily making public documents relating to NPF's bank loan which was guaranteed by Young Brothers Development (USA). NPF is also delivering copies of these documents to Senator Thomspson's Committee.

With a way to go before the document search is complete and because this seems to be the Committee's main interest, NPF is voluntarily making these documents public, even though they and the loan have nothing to do with the 1996 elections.

As Board Members, you will be pleased to know that the documents released today make clear the loan was extensively reviewed by attorneys for all parties involved at the time the transaction occurred. Because then NPF counsel Linda Long was seriously ill at the time, Mark Braden, a well respected attorney and election law expert with the law firm of Baker and Hotstetler, was hired as special counsel to handle the loan transaction for NPF. Braden, Young Brothers attorney Benton Becker, attorneys for Signet Bank, and RNC attorneys all thoroughly reviewed the transaction and approved it. (The RNC was involved because, as NPF's creditor, it had to give the bank a subordination to the bank's loan.) All the lawyers signed off on the loan as legal and proper. And it is all legal and proper.

In addition to the loan binder containing all the legal documents, NPF is making public documents related to repayments, default and settlement with the guarantor, including board minutes approving the loan and the settlement, as well as correspondence among the parties.

While everything about the transaction is perfectly legal, you can imagine there was some unpleasantness between NPF and the guarantor over the default. This is reflected in a letter Dick Richards wrote in the fall of 1996 which concerned me then because it was so full of inaccuracies. I dismissed it at the time because I knew Richards was upset about the default and the loss to Young Brothers.

Several things in his letter are inaccurate, which I attribute to Richards' being unaware of the facts (e.g., his reference to "hard money", when it is documented that the RNC only loaned non-federal funds to NPF and NPF only repaid in non-federal funds; no "hard money" was ever involved) or misunderstanding the facts (e.g., his erroneously saying I met in Hong Kong with Mr. Young in 1994 shortly after the loan, when there was no such trip during that period.)

Richards also characterized things in ways that may lead to misunderstanding or misinterpretation, as in his reference to a trip to China "to facilitate some business." Neither the Youngs, Richards nor anyone else ever asked me to help them "facilitate" any business or even told me about any business or deal in which they were involved or interested. I never tried to help them with any business in China, the U.S. or anywhere else. I haven't talked to Dick Richards about his letter, but I expect he will want to set the facts straight and clear up the inaccuracies when he talks to the Committee.

Nevertheless, the Democrats are dying to say the Republicans did something wrong, even if they have to ignore or embellish the facts to do so. Therefore, I expect the Committee's Democrat staff to spin this letter out in the most negative way regardless of the facts as set out above. They will leak anything they think will cast any aspersions or raise any doubts. Despite the Democrats' efforts, in the end, NPF will be shown to have conducted its affairs in a legal, proper manner and in compliance with the rules for organizations operating under Section 501(c)(4) of the Internal Revenue Code.

I'll continue to keep you posted. Call if you have any questions or need anything.

HALEY BARBOUR

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CONFIDENTIAL

May 20, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



The review, indexing and preparation of NPF documents sought by the Senate committee is well underway, but, as I previously advised you, it is extremely time consuming and tedious. Hopefully, before long, the material will be organized well enough for me, and others to start reviewing it personally, so we can respond to the subpoena as appropriate; but we are not there yet.

There is one issue about the production of documents of which I want to make you aware.

It was the policy of NPF, adopted by the Board of Directors in 1993, that the names of donors would not be published or disclosed. It was NPF's practice that even non-fundraising employees were not told who contributed, as we did not want anyone to be able to say their policy work was affected by donations.

The Senate committee has requested all our contribution files, and I have no doubt they will be leaked to the media. In light of this, I think I should write all contributors and tell them of the subpoena and the probability of leaks. I would also tell them NPF intends to comply properly with any valid subpoena and ask them to contact me if they have any questions or comments.

Please give me your thoughts on this approach. Call me at (202) 333-4936 or drop me a note. Thanks.

HBF 0015

HALEY BARBOUR

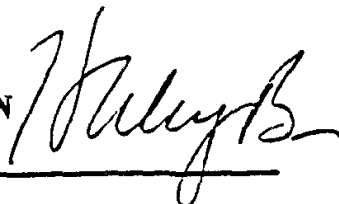
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CONFIDENTIAL

May 19, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



Attached is a copy of a letter NPF's counsel wrote the Los Angeles Times. We think the IRS' initial determination not to recognize NPF's 501(c)(4) status is off base and should be overruled on internal IRS review; however, the key point is an applicant for recognition of 501(c)(4) status is entitled to operate as a 501(c)(4) organization while its application is pending.

The fact that it took the IRS three and a half years to rule in NPF's case tells you why groups are allowed to operate during the pendency of their applications!

HBF 0016

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May 16, 1997

BY FACSIMILE

Jack Nelson
Chief, Washington Correspondent
The Los Angeles Times
1875 Eye Street, N.W.
Suite 1100
Washington, D.C. 20006

The Los Angeles Times
Times Mirror Square
Los Angeles, California 90053

Gentlemen:

We are serving as counsel for the National Policy Forum ("NPF"). In that connection, in a May 13, 1997 article, your paper twice used the word "illegal" in reference to the NPF. It is wrong to describe, even by implication, NPF's operations as a non-profit Section 501(c)(4) organization as "illegal."

In the Spring of 1993, NPF was properly organized as a nonprofit corporation under the laws of the District of Columbia. In the summer of 1993, NPF made proper application to the Internal Revenue Service ("IRS") for recognition of its tax exempt status under Section 501(c)(4) of the Internal Revenue Code. The IRS did not render a decision on the NPF application until February 1997.

As a D.C. nonprofit corporation, the NPF carried on its operations as a 501(c)(4) from its inception until it ceased operations in December 1996, months before the IRS eventually ruled on its application.

Virtually all nonprofit groups carry on operations while their application for IRS recognition of status is pending and it is well established that an applicant for 501(c)(4) status may operate as a 501(c)(4) organization while its application is pending before the IRS. The IRS can

HBF 0017

Los Angeles Times
May 16, 1997
Page 2

neither grant nor revoke 501(c)(4) status but only recognize or not recognize an organization's status under 501(c)(4). Under the Internal Revenue Code, the question whether a nonprofit satisfies Section 501(c)(4) is ultimately for the courts to determine, not the IRS. See Hopkins, Bruce R., The Law of Tax-Exempt Organizations (6th ed., 1992), p. 722; Blazek, J. Tax Planning and Compliance for Tax-Exempt Organizations (2d ed., 1993), p. 293.

Keep in mind that contributions to Section 501(c)(4) organizations are not tax deductible as are contributions under 501(c)(3) and, irrespective of whether the NPF is ultimately found to be 501(c)(4), no taxes will be due from NPF because it did not operate at a profit.

In sum, it is wrong to describe or even suggest such operation is "illegal." To operate in this manner is a well established, totally legal practice for Section 501(c)(4) applicant organizations. Moreover, we are confident that the NPF is, and will be determined to be, a proper Section 501(c)(4) organization.

Sincerely,



Thomas E. Wilson

cc: Mr. Haley Barbour (by FAX)

HBF 0018

HALEY BARBOUR

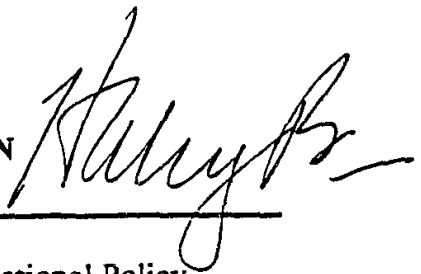
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CONFIDENTIAL

May 15, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



This will update you on recent developments concerning the National Policy Forum.

After receipt of the Senate Committee Subpoena, all NPF records, which had been put into storage in December, were retrieved and they are now being processed to prepare for the production of the documents validly subpoenaed by the Committee. This is tedious and time consuming.

NPF has retained legal counsel, and he has made his appearance on NPF's behalf before the Committee. He will handle any negotiations about the production of documents.

The Philadelphia firm of Blank, Rome, Comisky and McCauley represents NPF in the matter of its Section 501(c)(4) status before the Internal Revenue Service. NPF made proper application for such status in the summer of 1993, at the time it began operating. IRS regulations allow an applicant for 501(c)(4) status to operate according to the rules for 501(c)(4) organizations while its application is pending. NPF did so, and the IRS never rendered a decision on NPF's 501(c)(4) application while NPF was operating. On February 21, 1997, only after NPF ceased operations the IRS issued a decision, declining to recognize NPF's status.

HBF 0019

Page 2

NPF timely appealed this denial, in accord with the IRS internal appellate procedures. That appeal, or protest as the IRS calls it, is still in process. Since it took more than three and a half years to get the first decision, I wouldn't hazard a guess as to when the procedure will be complete.

Let me emphasize to you that applicants for 501(c)(4) status, such as NPF, are allowed to operate under the rules for 501(c)(4) organizations while their applications are pending. NPF did so, strictly according to the rules of the IRS.

I will continue to give you updates as it seems appropriate. If in the interim or at anytime you need or would like any additional information, please call me.

HBF 0020

SECRET

HBF 0021

Additionally, the RNC immediately made public its decision and all the facts. Although there was no way for the RNC to have known these were not perfectly legal contributions from a Florida company, Jim's immediate return of all the contributions is emblematic of the RNC's rigorous FEC compliance system. At the RNC, the law is strictly adhered to, whether it is politically convenient or not.

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RNC NEWS RELEASE

Jim Nicholson
Chairman

Patricia S. Harrison
Co-Chairman

FOR IMMEDIATE RELEASE:
May 7, 1997

CONTACT: Mary Mead Crawford
(202) 863-8550

RNC APPROACH TO YOUNG BROTHERS USA CONTRIBUTIONS DEMONSTRATES STARK CONTRAST WITH DEM PRACTICES

Statement by Republican National Committee Chairman Jim Nicholson

As much as the Democrats would like to spread the blame for their own fund-raising scandal by claiming "everybody does it," the facts -- including the facts about this case -- verify that *everybody doesn't do it*.

Not only did the Democrats engage in an orchestrated effort to solicit illegal contributions from foreign individuals and foreign sources, they went so far as to send their own fund-raisers overseas to get the money. Without even blinking an eye, they accepted \$5,000 checks from Buddhist monks when common sense dictates the money had to be laundered since the monks had taken a vow of poverty. They invited drug dealers and arms smugglers wanted by the international police into the White House in exchange for big contributions. The Vice President dialed for dollars from his White House office, even though the law clearly forbids fund-raising on federal property.

Months ago, the DNC admitted it had accepted more than \$3 million in illegal and inappropriate funds and bragged it had "cleaned up its house" and returned the money. But it was later revealed the DNC had not returned the money. Despite raking in \$4 million at a Washington fund raiser just last week, the DNC has still refused to return more than \$1.5 million in funds it has acknowledged were illegal and inappropriate.

★ Contrast that with the RNC. We have had procedures in place since 1974, and periodically review and update them, to safeguard against acceptance of illegal contributions, including foreign contributions. Our legal staff regularly trains our fund-raising staff to ensure they understand the law and comply with it. One simple compliance step we take is we don't ask foreigners or foreign companies for money, and we don't send our fund-raising staff to foreign countries to raise money.

In the case of contributions from Young Brothers Development USA, all the documentation available to the RNC indicated these contributions were legal. The checks were drawn on an account that specifies Young Brothers Development USA is a "Florida corporation;" the bank is American; the Young brothers are American citizens, as was their father, Ambrous, at the time the contributions were made. We would not regard as suspect a contribution from an American company simply because we understood it to be owned by Americans of Asian descent.

Nonetheless, we sought re-verification of the facts when media reports raised questions about them. A check of the company's articles of incorporation verified the company is incorporated in the state of Florida and that its officers are American citizens. We were not able to secure the facts from the company until this afternoon, when a company officer reported by telephone that the source of the funds was not an American company, as all previous documentation indicated, but a "parent" company in Hong Kong. Upon learning those facts, we immediately returned the contributions, before the day's end.

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Published by the Press Office ♦ 310 First Street, S.E. ♦ Washington, D.C. 20003 ♦ (202) 863-8550

HBF 0023



**Republican
National
Committee**

**FACT SHEET: CONTRIBUTIONS TO RNC
FROM YOUNG BROTHERS DEVELOPMENT USA
May 7, 1997**

- From 1991-1993, the Republican National Committee received contributions totaling \$102,400 from Young Brothers Development USA. The contributions include:

November 20, 1991: \$75,000 for Team 100 membership.

July 29, 1992: \$2,400 for 1992 Republican National Convention registration.

June 11, 1993: \$5,000 for Team 100 membership.

June 17, 1993: \$20,000 for Team 100 membership.

- Young Brothers Development USA is incorporated in the state of Florida. Its officers are American citizens.
- Checks to the RNC from the company were drawn on the account of "Young Brothers Development (USA), Inc., A Florida Corporation," from an American bank with a Florida address, and appear to be signed by the company's officers, who are American citizens.
- The Young brothers are American citizens. Their father, Ambrous Young, was an American citizen at the time the company contributed to the RNC.
- Since 1974 the RNC has had procedures in place to safeguard against acceptance of illegal foreign contributions. However, nothing in the information available to the RNC would have raised any question that Young Brothers Development USA was anything other than an American company owned by American citizens. We would not regard as suspect a contribution from an American company simply because we understood the company to be owned by American citizens of Asian descent.
- At no time did the RNC solicit funds from foreign individuals or sources.
- When news reports surfaced last week alleging that Young Brothers Development USA was a subsidiary of a foreign company, the RNC began its own review to determine the accuracy of the allegations. A review of our files turned up nothing to indicate the company is anything other than an American company owned by American citizens. A review of its articles of incorporation show a Florida address and officers who are American citizens. Neither its articles of incorporation nor any of the contributor information accompanying the contributions suggest the company has any relationship with any other company, foreign or otherwise.

—more—

-2-

- * We were not able to secure the facts from the company until this afternoon, when a company officer reported by telephone that the source of the funds contributed to the RNC by Young Brothers Development USA was a "parent" company in Hong Kong.
- * Upon learning the foregoing facts, the RNC has immediately returned the \$102,400 in contributions from Young Brothers Development USA.

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HALEY BARBOUR

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April 29, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



You will be pleased to know that the Time reporter who wrote the story about the National Policy Forum said on national television yesterday that nothing about the transaction about which he wrote was illegal or improper.

Attached is a copy of an excerpt from today's edition of the political newsletter Hotline, which reports on Michael Weisskopf's statements on CNN Monday afternoon.

In my memorandum to you yesterday, I noted the Time reporter had told me there was no evidence or appearance of anything illegal or of any quid pro quo. While I would have preferred he had flatly said so in his article, at least he has now publicly made that statement.

Of course, if there was nothing illegal or improper, one might wonder why they ran the story in the first place!

The Hotline

THE DAILY BRIEFING ON AMERICAN POLITICS

Tuesday, April 29, 1997

*4 HALEY BARBOUR: DEFENDS USE OF HONG KONG COMPANY

Ex-RNC chair Haley Barbour defended the use of a Hong Kong company to help with the RNC's financial burdens. Responding to the Time report (see HOTLINE, 4/28), Barbour said Young Brothers Development was a U.S. Company, and the YDP's help guaranteeing a loan from a U.S. bank to the National Policy Forum was legal (Morgan, W. POST, 4/29). TIME's Michael Weisskopf, on Barbour's statement that the company is American: "He's correct, but it amounts to a shell company. ... And the money that was used to put up collateral for this loan was actually transferred from the parent company which is based in Hong Kong, its directors and shareholders are both Hong Kong and Taiwan Chinese." On Barbour saying there is nothing illegal or improper in this deal: "He's absolutely correct. But it is a type of gray area which has inspired a great deal of thought about rewriting campaign finance laws" ("TP," CNN, 4/28).

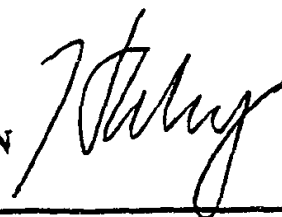
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April 28, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN



More than a week ago, the news media reported a subpoena had been issued to the National Policy Forum for its records by the Thompson Senate investigation committee. That subpoena was only served Friday, April 25, 1997.

To the extent it is in order and valid, NPF will, of course, fully comply with the subpoena. It should be noted, however, the subpoena is extremely broad.

Let me know if you have any thoughts.

HBF 0028

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HALEY BARBOUR

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April 28, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN

The Time magazine article about which I wrote you Friday has been published, and it makes clear how determined the liberal media are to say the Republicans did something wrong in campaign finance, even if they have to grossly embellish or ignore the facts to do so. A copy of the article is attached, along with an incendiary press release Time put out with it.

The first and most important fact is, all the fundraising, expenditures and operations of NPF were legal. Even Time in its story does not claim anything is illegal.

Here are some other facts you need to know:

- While the Time article is mostly about Ambrous Young, who Time notes was legally able to financially support NPF, Ambrous Young was not the guarantor of the NPF note. Ambrous Young was not a donor to NPF or to the Republican National Committee.
- The guarantor was Young Brothers Development, Inc., a Florida corporation. The Young Brothers are Ambrous Young's adult sons, all of whom are and have been U.S. citizens since birth. Young Brothers is not only legally able to support NPF; it and they individually may contribute to U.S. campaigns and parties. Young Brothers had been RNC contributors long before NPF ever existed, as the RNC's FEC reports duly show.

HBF 0029

- The Time article fails to make clear that NPF never engaged in any election or campaign activities. Strictly operating under the rules for 501(c)(4) organizations, NPF was not allowed to do so, and it didn't.
- With all the debate over issue advocacy ads run by the AFL-CIO and some 501(c)(4) organizations in 1996, I should remind you NPF never ran any such ads. In fact, NPF never ran any television ads at all. The only ads by NPF were small newspaper ads run in the local media before a public forum in a community to invite the general public to participate. NPF's forums, conferences and publications strictly refrained from any electioneering. NPF never advocated the election or defeat of any candidate for any office.
- All loans to NPF by the RNC and repayments to the RNC by NPF were in non-federal funds. All were fully reported to the FEC. Non-federal funds, such as these, can't be used by the RNC or anyone else for Congressional election purposes.
- Time tries to make the stretch that these transactions were to bail out the RNC in both '96 and '94. The issue of this being the case in '96 is erroneous on its face. The RNC was not legally responsible for NPF's debts to any creditor in 1996 or at any other time. As to 1994, the RNC had no need for such a bailout. The RNC's non-federal accounts had sufficient funds to pay for all activities to be paid for with non-federal funds. Further, the RNC had an ample credit facility in place if it needed more funds for operations, as it did in 1996.
- Importantly, NPF never repaid the RNC a substantial part of the total amount it borrowed from the RNC. From the beginning, through today, NPF was always in debt to the RNC, and the financial relationship was a negative cash flow item for the RNC throughout. In fact, it had to be so, as NPF is not allowed by law to contribute to the RNC; only to repay the RNC. The claim that NPF helped the RNC financially is just the opposite of the truth.
- Despite the insinuations, as far as I know, neither Young Brothers nor the Young family does business with the U.S. Government. They never asked me or anyone to help them with any federal, state, local or any other kind of issue or project.

- Time mentions I met with the PRC's foreign minister when I was in Beijing in 1996. Typically when I traveled abroad as Chairman (and I visited a dozen or so countries), I met with senior government officials as a matter of courtesy. In Japan, I met with the foreign minister. In South Korea, I met with the president. Also in the Republic of China on Taiwan, I met with the president. In Hong Kong, I met with the governor general. In Australia, I met with both the prime minister and the governor general. At virtually all of these events I took along groups, as I did in Beijing.
- The sad fact is, if the Young Brothers were not Chinese-American citizens but Polish-Americans, Mexican-Americans or of English or Irish descent, this wouldn't be in Time magazine. However, the liberal media have been dying to say that Republicans did something wrong, even if it's legal. This helps the Democrats' main defense in their campaign corruption scandal, which is "Everybody does it." In fact, everybody does not do it. The accusations against the DNC and the White House involve violations of law and even criminal acts. Time magazine does not even claim anything NPF did was illegal.
- When I talked to the lead Time reporter on Friday to comment on the article; I asked him point-blank if he claimed or thought anything about this was illegal. He said there was no appearance of anything illegal or of any quid pro quo, and he said he would put that in the article. If that statement is in there, I'm having a hard time finding it! Of course, everyone would have said, "Why is Time even running this story?"

The fact is, all NPF's activities, including this and every other financial transaction, were legal. The matters in the Time story were reviewed by lawyers on all sides of the transaction and approved before it was done. Time doesn't claim otherwise, but the sensationalistic tone of the article and press release will likely cause some to infer something was wrong. You should feel comfortable in telling anyone that this and all NPF activities were totally legal and appropriate.

TIME

TO: NATIONAL AFFAIRS EDITORS/PRODUCERS

Contact: Diana Pearson
at 212/522-0833

FOR RELEASE: After 12 noon
Sat., Apr. 26, 1997

EXCLUSIVE: The Republican Party's 'Asian Connection' **How a Hong Kong Businessman** **Bailed Out the Republican Party— Twice**

New York — Hong Kong businessman Ambrous Tung Young — known as 'the man to see' — bailed out the Republican Party twice in two years through a think tank created by GOP chairman Haley Barbour, TIME discloses in its May 5, 1997 issue (on newsstands Monday, April 28). The bailouts came at crucial moments, freeing up \$2 million in the final days before the GOP's 1994 sweep of Congress, then eating \$500,000 in bad debts in the last weeks of the 1996 election.

"Until now Democrats have taken the hit for fundraising excesses," according to TIME's MICHAEL WEISSKOPF and MICHAEL DUFFY. "But as Young's secret role shows, the lure of easy foreign money was bipartisan."

Barbour's think tank, the National Policy Forum — which identified the hot-button issues that became Newt Gingrich's Contract with America — was heavily in debt in the summer of 1994. Ambrous Young's U.S.-based arm, Young Bros. Development-USA, put up \$2.2 million in certificates of deposit as collateral for a loan from Signet Bank. The loan indirectly freed-up last-minute cash that helped Republicans buy tv ads before the 1994 midterm elections. Young Bros. Development's only U.S. asset is a Georgetown apartment, and its incorporation records list only two officers, onetime GOP chairman Richard Richards and Benton Becker, who was President Gerald Ford's counsel.

"Barbour personally escorted Young around Washington, introducing him to Bob Dole and House Speaker Newt Gingrich" just as they were taking over Congress, TIME reports. In Beijing a year later, Young (who was raised in Taiwan and keeps a photo of Ronald Reagan in his Hong Kong office), escorted Barbour in a meeting with Qian Qichen, foreign minister for the People's Republic of China.

Young in effect bailed out the Republicans a second time when Signet called in the loan months before the November 1996 election — and the Forum stuck Young with a \$500,000 loss. Barbour, who was subpoenaed last Friday for all records relating to the Forum, told TIME the guarantee and settlement were "perfectly legal and totally appropriate." But last fall, Barbour had criticized the Democrats' foreign fundraising as "influence peddling." Last week, the Senate committee investigating fundraising also subpoenaed the Dole campaign for documents.

(story attached)

N A T I O N

THE G.O.P.'S OWN CHINA CONNECTION

A Hong Kong mogul
rescued Republicans
during two campaigns

By MICHAEL WEISSKOPF and
MICHAEL DUFFY WASHINGTON

THE EIGHT-PAGE SUBPOENA OPENED with the word Greeting, but there was nothing friendly about it. Coming from the Senate committee investigating the campaign fund-raising scandal, it directed what's left of the Dole campaign to hand over all documents connected to a familiar cast of 46 political donors and suitors. As the subpoena was faxed around Washington last week, it set off a minor panic among lobbyists and fund raisers worried about who might be called to testify. But their fretting was misplaced: the name of the G.O.P.'s most generous foreign benefactor wasn't even on the list.

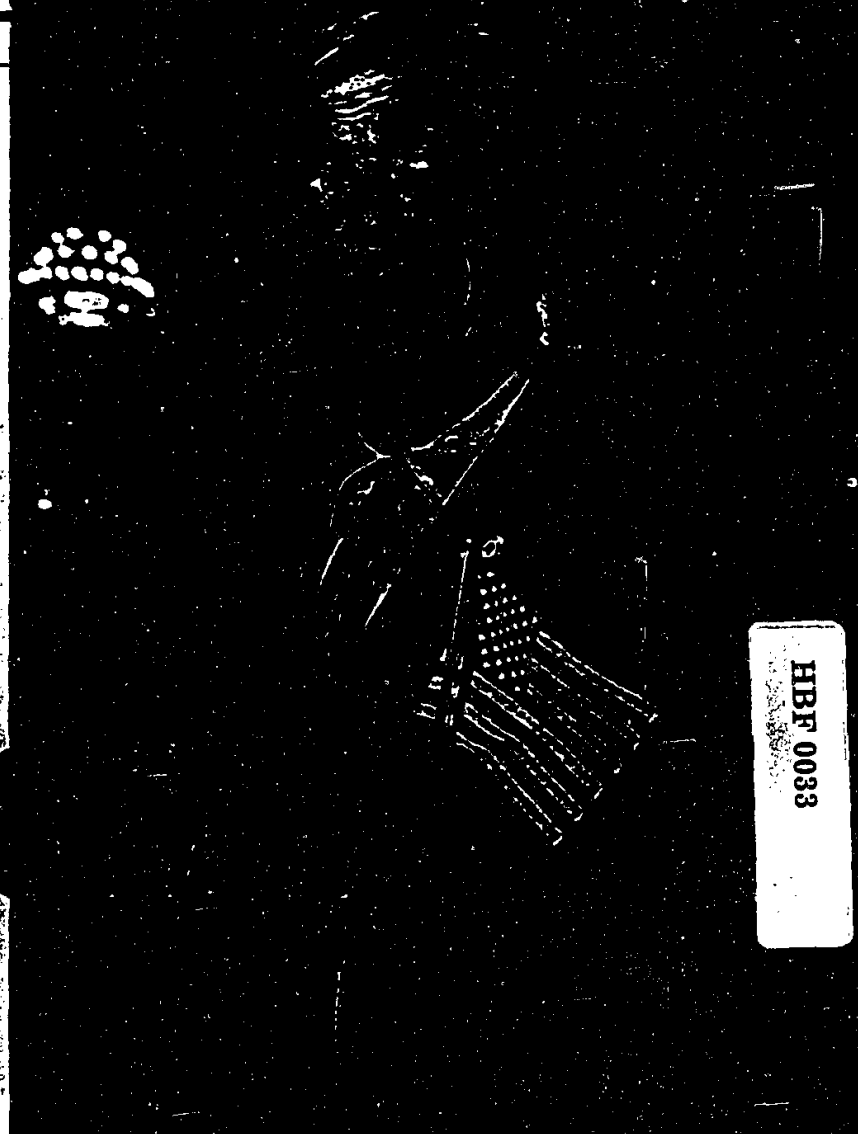
For months snapshots of a Democratic White House desperately grubbing for campaign dollars have focused on Asian Americans with strong business ties to their native lands. Now Republicans tell TIME the G.O.P. has profited from an Asian money connection as well. Twice in two years Hong Kong businessman Ambrosius Tung Young bailed out the party at crucial mo-

ments: first freeing up as much as \$2 million in the final days before the G.O.P.'s 1994 sweep of Congress; then eating \$500,000 in bad debts, rescuing Republicans in the last weeks of the 1996 contest. The conduit for the money was a U.S. firm with little income and few assets, but quietly backed by an aviation-services and real estate-investment company controlled by Hong Kong and Taiwanese businessmen. The money passed through a Republican think tank that granted big donors more influence over party policy in return for more money. For Young, the arrangement also opened diplomatic doors. In Washington, Young met face to face with the lions of the G.O.P. just as they were taking over Congress. In Beijing a year later, he escorted G.O.P. chairman Haley Barbour in a meeting with Qian Qichen, Foreign Minister for the People's Republic of China.

The discovery of a financial channel running from Taiwan to Hong Kong to Republican national headquarters may well change the terms of Washington's latest

PARTY ESCORT: Ex-R.N.C. chair Barbour introduced his Asian patron to the powerful money mess. Until now Democrats have taken the hit for fund-raising excesses, providing grist for investigations by the Justice Department and 11 congressional committees and prompting calls for an independent counsel. But as Young's secret role shows, the lure of easy foreign money is bipartisan. Young's business depends in large part on Western access to Chinese markets and a secure Taiwan, objectives pushed by Republicans and the think tank he backed. That agenda, the Young case shows, has been successfully promoted by Asian interests who contributed big money to both major parties.

How a Chinese businessman came to prop up the G.O.P. is a story that began in 1993, right after Bill Clinton's election. Barbour had just taken over as G.O.P. chairman and created a think tank to generate new ideas. He called his group the National Policy Forum, and although its operations were two blocks and a few legal documents



HB 0033

NAM PETERSON-SABA

removed from Republican headquarters, it was just an extension of the party. Barbour was chairman of the forum; G.O.P. officials set its \$4 million annual budget and coordinated fund raising. The forum circulated 600,000 questionnaires to identify the hot-button issues that were later assembled into the Contract with America.

THE FORUM HAD A HIDDEN PURPOSE: to tap into a new stream of cash from corporations. G.O.P. fund raisers discovered in 1992 that there was only so much soft money available; most donors had given all the money they could to campaigns. But because corporations set aside other tax-deductible money for research, Barbour's idea was to create a nonprofit think tank that could attract that cash.

Instead the think tank started to cost the party money. Corporate America turned out not to be very interested in the forum, so by the summer of 1994 it was heavily in debt, largely to the R.N.C., which had loaned the forum several million dollars to get started. With the pivotal midterm elections bearing down, the party needed money to attract voters to the polls with a burst of TV ads.

Enter Ambrosius Tung Young. In the early fall of 1994 his U.S.-based arm, Young Bros. Development-USA, offered to guarantee a loan to the forum. Exactly who first thought of this arrangement remains a mystery. A top R.N.C. official said a Houston

businessman named Fred Volcansek, who worked on trade issues under former President Bush, knew Young and informed the forum's president of Young's interest in helping. Young lived in Hong Kong, but his sons had become U.S. citizens and dabbled in G.O.P. politics.

Even then Barbour knew the political risks of the proposed loan arrangement. Although Young was willing and legally able, the R.N.C. chief wanted to avoid any criticism of using overseas cash to pay for political activity—even policy research. Barbour received general assurances that Young Bros. Development-USA was a domestic firm. On that basis he had the company put up \$2.2 million in certificates of deposit—funds transferred earlier from the parent company in Hong Kong—as collateral for a loan from Signet Bank.

But if Barbour was looking to be bailed out by an American business, it's not clear that Young Bros. Development-USA was either American or a business. It turns out that the company's only U.S. asset is a

Georgetown apartment, and its only revenue is its rental income from that property, officials said. As for its pedigree, incorporation records in Florida list only two officers: onetime G.O.P. chairman Richard Richards and Benton Becker, who was President Ford's counsel. And the firm's actual owner? According to Becker, the principal stockholder is Young Bros. Development of Hong Kong. Records in the British colony list Young as managing director and several others from Taiwan and Hong Kong as investors.

Whatever the country of origin, the loan guarantee was a political godsend. With much of its proceeds sent immediately to the R.N.C., the loan provided last-minute cash for tight House races. In November, Republicans took control of Congress for the first time in 40 years. Not long after, Barbour personally escorted Young around

charitable when describing the Democrats' foreign fund raising last fall. Two weeks before the election, Barbour criticized the Clinton White House for trying to "cover up this well-organized scheme of foreign contributions and influence peddling."

Yet with everyone scrounging for money in those last frantic weeks, no one was asking a lot of questions. Which is why the beneficiaries don't know much about their donor's background. Raised in Taiwan, Young joined the Taiwan navy as a supply officer, studied engineering in England and returned to Taipei, where he started an aerospace consulting firm. He later moved to Hong Kong, where he keeps a picture of himself with Ronald Reagan hanging on his office wall. Young served as the Asian agent for several aviation companies, including Pratt & Whitney and, more informally, British Aerospace.



Washington, introducing him to Bob Dole and House Speaker Newt Gingrich. Young returned the hospitality in August 1995, as host at a dinner for a visiting Barbour on his posh yacht, the *Ambrosia*.

But by mid-1996 the forum was strapped again. The last thing the party wanted that summer was to bail out a think tank just when the campaigns for Congress were heating up. So Barbour decided that the forum would simply stop repaying the Signet loan. He tried instead to get Young Bros. to foot the bill. Through its lawyers, the company refused.

And then Signet called in the loan. At first Barbour refused to pay the \$1 million balance due. When the Youngs' lawyers threatened a lawsuit, the forum paid up \$300,000, but that still left an angry Young with a \$500,000 loss—sparing the R.N.C. from having to dip into campaign funds to pay off the rest of the debt.

Barbour told TIME last week that the guarantee and settlement were "perfectly legal and totally appropriate." He was less

Over the years he has had a financial interest in preserving American trade links to China, the world's largest customer of commercial aircraft, and in maintaining a militarily strong Taiwan. In 1992 Taiwan bought 150 F-16s, all powered by Pratt & Whitney engines.

Young, who is said to be in his 60s, is extremely private by the standards of Hong Kong tycoons. He has an office in Taipei and sits on the board of an aerospace company close to the ruling Nationalist government. He is known as "the man to see" if you want to get a hearing in Asian aerospace circles. Little else about him is publicly available—at least not yet. Last Friday, Haley Barbour received a new subpoena, this one asking for all records relating to the National Policy Forum. With Washington's investigations widening to include Republican backers, the well-guarded anonymity of Ambrosius Tung Young may be coming to an end.

—With reporting by Sandra Burton, Hong Kong and Donald Shapiro, Taipei

HALEY BARBOUR

April 25, 1997

MEMORANDUM FOR NATIONAL POLICY FORUM BOARD MEMBERS

FROM: HALEY BARBOUR, CHAIRMAN

The upcoming issue of Time magazine will contain a story critical of the National Policy Forum and the guarantee of a National Policy Forum bank loan by a Florida corporation owned by Chinese-American citizens who reside in Hong Kong. As a member of the National Policy Forum, I wanted you to know about the story before it is published.

My response to Time is as follows:

"Lawyers routinely and thoroughly reviewed every aspect of NPF fundraising and spending. Everything NPF did, including this loan, was perfectly legal and totally appropriate."

While I do not know exactly what the Time article will say, the following are the relevant facts:

- In 1994, NPF got a loan of something over \$2 million from Signet Bank in Washington, D.C.
- Young Brothers Development, Inc., a Florida corporation, guaranteed the loan.
- The Young Brothers are American citizens, residing in Hong Kong.
- By 1996, the Signet Bank loan had been paid off in full.
- As guarantors, Young Brothers ended up absorbing approximately \$700,000 of the loan.
- While NPF was legally allowed to accept foreign contributions, the loan from Signet Bank – guaranteed by a U.S. corporation – was not a foreign contribution.

HBF 0035

All aspects of this transaction are in compliance with the federal election law and all other laws and regulations and were reviewed by counsel on both sides.

As you know, the Democrats are desperate to claim that Republicans did something wrong, in order to distract attention from their campaign corruption scandals. Reporters have been digging for months trying to find anything for which to criticize us. The lead reporter working on the story for Time admits there is no evidence that anything about this transaction was illegal or that there was any quid pro quo involved. Nevertheless, the appetite for writing that Republicans did something wrong is so strong that this is considered newsworthy.

Let me remind you that NPF never participated in any election campaign activity whatsoever. It never ran any TV or radio ads, much less any of these "issue advocacy" ads that have been a major focus of the investigations of last year's elections. NPF never advocated the election or defeat of any candidate for any public office, and, in fact, we always operated in strict compliance with the restrictions on 501(c)(4) organizations.

NPF was modeled after the Democrat Leadership Council and the Progressive Policy Institute, the think tank allied with the Democrat Party. While I have no indication the DLC ever violated any of the rules regarding 501(c) organizations, I assure you NPF never did.

While I know negative media coverage is unpleasant and irritating, I am very confident in telling you that NPF will be found to have strictly complied with all the laws and regulations applicable to its fundraising, expenditures and operations.

September 1994

Haley Barbour's Monthly Calendar

September

- 6 8:00 PM INTERVIEW: "Cal Thomas Show"
9:00 PM INTERVIEW: "Larry King Live"
Rosh Hashana
- 7 10:00 AM PM Harrison re: Finance
11:30 AM TARPING: Mary McElhin
1:00 PM Rick Herman Meeting
2:00 PM Gil Simonette re: Price Waterhouse (Leury)
6:00 PM - 6:45 PM (Radio) INTERVIEW: "Armstrong
Williams Show"
7:00 PM SPEECH: Frank S. Myer Society
- 8 1:10 PM SPEECH: DC Women's Cand. Forum
1:30 PM - 1:45 PM PHOTO OP: DC Women's Cand-
date Forum
6:00 PM - 6:45 PM February Group
8:00 PM GOP TV Broadcast (RNC Studio - B2)
- 9 7:30 PM Reeves Football - Bayou/Stone
- 12 2:15 PM INTERVIEW: "The Scool Show" (New
Orleans
Service
4:30 PM CONF. CALL: Site Selection Committee
7:30 PM "Cross File" w/ Vic Fazio (QWV)
Senate Reconvene
- 13 10:30 AM PRESS CONF. w/ Gingrich & Arney
12:00 PM Luncheon & Executive Session
2:30 PM T100 Strategy Session
5:15 PM Fred Volcansek, Don Pierce & Dan Demming
5:30 PM Meeting with Steve Young
6:00 PM - 7:00 PM T100 & Sen. Dole Reception
7:00 PM - 9:00 PM T100 & Sen. Dole Dinner
9:15 PM L.V. Nat'l (via M/FI, Charter)
11:00 PM AR - Austin, Texas (M/FI Charter)
- 14 5:30 PM NFC Reception
11:10 PM L.V. Phoenix, Arizona (via AII)
- 15 4:00 PM Mark Nittle & Scott Reed
5:15 PM Leonard Coleman & Gene Budig
8:00 PM GOP TV Broadcast (RNC Studio - B2)
Tom Kipper
- 16 12:15 PM AL GOP Fundraiser
1:45 PM - 2:45 PM Eagle Reception
3:35 PM L.V. - Birmingham, AL
4:25 PM AR - Jackson, MS
7:30 PM Reeves Football - Lenke/Laake, MS
- 19 2:00 PM Dennis Jackson re: DuPont Merck (NFC)
3:00 PM Rudy Johnson re: Amoco (National Finance
Committee)
4:15 PM "TOLD" (Taped) INTERVIEW: "Billie
Necse Show"

September

- 19 6:30 PM MID State Party Fundraiser (Gore Residence
- Potomac)
8:30 PM Dinner w/ Ambassador Biancheri (Italian
Embassy)
- 20 10:30 AM - 11:30 AM Russ Pearson re: JC Penney
(NFC)
4:00 PM Chris Hansen re: Hoceing (NFC)
6:00 PM - 8:00 PM Olympia Snowe Fundraiser
(Finley House)
- 21 3:00 PM L.V. - DC
3:58 PM AR - Chicago, IL
5:00 PM APJ Meeting
7:15 PM L.V. - Chicago, IL (OT/line)
9:55 PM AR - Washington National Airport
- 26 3:15 PM Hillard Selek Atty. - Sheraton Carlton Hotel
4:00 PM SPEECH: Congressional "Fly In"
5:15 PM SPEECH: NI. Restaurant Ass.
7:00 PM Rick Hohlth Dinner (Red, Hot & Blue)
- 27 11:00 AM Contract With America
12:00 PM Capitol Steps Media/Satellite Feeds (RNC)
1:00 PM - 2:00 PM Senate Policy Lunch
3:00 PM Chris Henick re: RGA Conference
4:15 PM Pete Coors, Richard Crawford & Al Tim-
othy re: NFC
5:55 PM L.V. - Washington, DC (Nat'l)
7:15 PM AR - Memphis, Tennessee
- 29 4:30 PM Ron Kaufman re: GATF NOW Alliance
5:15 PM Senator Phil Gramm - Russell Office Bldg.
8:00 PM GOP TV Broadcast (RNC Studio - B2)
9:00 PM Chairman's Advisory Board Reception -
Willard
- 30 9:30 AM - 10:00 AM Ron Docket re: Mile Inc.
(Kelly)
11:40 AM L.V. - Washington Nat'l
12:57 PM AR - Memphis, TN